DOCUMENT RESUME

ED 430 055 UD 032 894

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TITLE Big City Resource Inequalities: The Philadelphia Story.
PUB DATE 1999-03-25
NOTE 27p.; Paper presented at the Annual National Conference on Creating the Quality School (8th, Memphis, TN, March 25, 1999).
PUB TYPE Reports - Research (143) -- Speeches/Meeting Papers (150)
EDRS PRICE MF01/PC02 Plus Postage.
DESCRIPTORS *Educational Equity (Finance); Elementary Secondary Education; Equal Education; *Finance Reform; Financial Needs; Income; Public Policy; School District Size; School District Spending; *School District Wealth; State Legislation; *Urban Schools
IDENTIFIERS *Philadelphia School District PA

ABSTRACT

The degree of inequality of selected fiscal variables between a big city school district (the school district of Philadelphia, Pennsylvania), and the top spending school districts in the same state was studied across time. Comparisons were made on the basis of size and location of districts and the following variables: expenditures, wealth, local revenue, state revenue, and federal revenue per student. The study was conducted during a period of conflict between the Commonwealth of Pennsylvania and the School District of Philadelphia over the state's funding of the district. Data were extracted from reports from the state department of education. Philadelphia educates 12% of the state's students. Study findings suggest that the state's efforts to compensate for the needs of the big city still leaves a wide gap between the fiscal capabilities of the big city and the state's 25 top spending districts. State legislators need to be aware that their actions on fiscal policy have much more impact on the big city than on the top spending districts, which are much more dependent on local politics. A glossary is attached. (Contains 2 tables, 5 graphs, and 11 references.) (SLD)

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8th Annual National Conference on Creating the Quality School

Memphis, Tennessee

ED 430 055

BIG CITY RESOURCE INEQUALITIES

THE PHILADELPHIA STORY

Donald L. Walters, Ed.D.

March 25, 1999

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BIG CITY RESOURCE INEQUALITIES

THE PHILADELPHIA STORY

Introduction

The study examined the degree of inequality on selected fiscal variables between a big city school district (School District of Philadelphia) and the top spending school districts (Top 25) in the same state (Pennsylvania). Secondarily, the study described whether the differences increased or decreased across time.

Comparisons were made on the basis of size and location of districts and on the following fiscal variables: expenditures, wealth, local revenue, state revenue, and federal revenue per student. This study seeks to assist key stakeholders in assessing the fiscal need and support provided to a big city school district through analysis of actual financial data.

The study was conducted during a period of conflict, which still continues, between the Commonwealth of Pennsylvania (executive, legislative, and judicial branches) and the School District of Philadelphia over the state's funding of the District. The District contends that it is underfunded by the state; the state contends that the District receives more than its fair share of state funds.

The District sued the state and threatened to close school early in 1998-99 if sufficient funds were not provided; the legislature countered with an act to permit the governor to take over the District if a closure occurs. The threat of closure has been forestalled by the extension of a line of credit from local banks, but it is not clear when and how this debt will be retired.

Methodology

In the distribution of districts by total expenditures per average daily membership (Exp/ADM), those in the highest 5% were selected. Based on the 500 operating schools districts in Pennsylvania, this process yielded the 25 highest spending districts (Top 25). (One non-operating district was eliminated from the total distribution of 501 districts.) If a district had unusually high expenditures for Other Financing Uses which inflated its Exp/ADM, that district was removed from the analysis. (An example of an extraordinary Other Financing Use is the retirement of a bond issue through refinancing.)

To avoid the problem of differing ADM's among the districts, district means were not used for the Top 25. The individual student, not the district, was selected as the unit of analysis. Therefore, for the Top 25 districts, the total number of ADMs and the total sum of dollar amounts on fiscal variables were calculated.

Trends across the thirteen years (1984-85 through 1996-97) and the last five years (1992-93 through 1996-97) were analyzed. Ratios comparing the Top 25 to Philadelphia were calculated for each variable for each year. A ratio greater than one indicates that the Top 25 had the higher value. Changes across time were expressed as percentage increases or decreases.

Financial and enrollment data were extracted from reports compiled and issued annually by the Pennsylvania Department of Education. These data covered fiscal years 1984-85 through 1996-97. Fiscal year 1984-85 was the first year in which the current accounting system and funding formula were in place statewide. Data for 1996-97 were published in June 1998 and were the most recent data available for analysis. Market values of real property were those determined by the Pennsylvania State Tax Equalization Board.

Results

1. How large is the School District of Philadelphia?

Philadelphia serves 12%, about one of eight, of the public school students in Pennsylvania. This represented more than 214,000 (ADM) students in the 1996-97 school year, by far the largest district in Pennsylvania. The great majority of districts serve fewer than 10,000 students; only sixteen of the state's 501 districts enrolled 10,000 or more students.

Philadelphia's total expenditures equal 11% of the total for public schools in Pennsylvania. This amount was $1.54 billion in 1996-97. In terms of expenditures per student (ADM), Philadelphia ranked 226th among the 501 districts in Pennsylvania. In 1996-97, Philadelphia received 14.7% of the state revenue distributed to public school districts.

Philadelphia's wealth equals 8.5% of the total wealth of Pennsylvania as measured by the market value of real estate. The city's market value in 1996-97 was $30.4 billion.

The Top 25 districts collectively serve slightly more than half as many students as does Philadelphia, 6.3% of the state's total. Their collective wealth equals slightly less than 12% of the state's wealth. Thus, with more wealth, they serve fewer students than does Philadelphia.

2. Where are the Top 25 spending districts?

These 25 districts are almost all suburban communities. In 1996-97 sixteen of them were in Bucks, Chester, Delaware, and Montgomery counties surrounding Philadelphia. (Montgomery county had ten of the districts.) Of the remaining districts, eight were in Allegheny county and one was in Lehigh county. Those in Allegheny county included Pittsburgh and seven of its suburbs; the one in Lehigh county was a suburb of Allentown.

3. How does the School District of Philadelphia compare to the Top 25?

a. Expenditures

The Top 25 typically spends about 40% more per student than does Philadelphia (1984-85 through 1996-97.) In the last three of the above years, the disparity increased to about 50% more per student. In 1996-97, the Top 25 spent $10,400 to Philadelphia's $7,180 per student, 45% more. For Philadelphia to have spent at the level of the Top 25, it would have needed to spend $690 million more than it did!

Across the last five years (1992-93 to 1996-97), Philadelphia increased its gross expenditures 9.8% while the Top 25 increased their gross expenditures by 12.8%. But during this period, Philadelphia's student body increased by 5.1% while that of the Top 25 decreased by 2.3%. Across the five years, the increase in expenditures per student in Philadelphia was 4.5% while the increase in the Top 25 was 15.4%--more than three times greater. (See Tables 1 and 2 and Graph 1.)

b. Local Revenue

The Top 25 typically raises 2.5 times as much local revenue per student as does Philadelphia. During the last five years this rate increased to a high of 2.81 times in 1994-95 but then declined to 2.47 in 1996-97. Philadelphia's gross local revenue increased 20.2% across the last five years (1992-93 to 1996-97) while its increase in students was 5.1%, which

reduced its gain in local revenue per student to 14.3%. The Top 25, in contrast, experienced a 8.3% increase in local revenue per student across this period. (See Table 2 and Graph 2.)

c. State Revenue

Philadelphia receives more revenue per student from the state than does the Top 25; however, the difference has declined dramatically across the thirteen-year period (1984-85 through 1996-97). In the early years, Philadelphia received about 75% more per student; in the last four years, it fell to less than 50% more. In 1996-97 the amounts were $3,606 to $2,675, only 35% more for Philadelphia.

Across the last five years, gross state revenue for Philadelphia increased nearly 19% while that for the Top 25 increased 32%. Because of the difference in enrollment changes during this period, the gain per student for Philadelphia was only 12.7% in contrast to a gain of 34.7% for the Top 25. When local and state revenue are combined, the Top 25 retain a distinct advantage over Philadelphia. The advantage increased to a ratio exceeding 1.5 during the last five years. (See Tables 1 and 2 and Graph 4.)

d. Federal Revenue

Philadelphia receives more federal revenue per student than does the Top 25. (See Tables 1 and 2 and Graph 5.) Philadelphia's amount has tended to be about 2.7 times that for

the Top 25; however, in 1996-97 Philadelphia received 2.3 times as much as did the Top 25 ($618 to $263 per student). During the period from 1989-90 through 1993-94, Philadelphia received three times more federal revenue per student than the Top 25.

Because of the marked decline in federal revenue in 1996-97, Philadelphia's gross federal revenue declined 17% below the amount five years earlier (to $132.5 million from $159.9 million in 1992-93). The Top 25 experienced an 8.6% increase ($27.2 million to $29.6 million) in gross federal revenue across this five-year period.

e. The Revenue Mix: Local-State-Federal

Based on the total of local, state, and federal revenue, the percentage from each source differs markedly between Philadelphia and the Top 25. Philadelphia is more dependent on external sources; the Top 25, on local sources.

Across the thirteen years (1984-85 through 1996-976), the pattern for Philadelphia approximated a 40:50:10 mix. For 1996-97, its revenue mix was 41% local, 50% state, and 9% federal.

For the Top 25, the pattern for the thirteen years approximated a 75:22.5:2.5 mix. For 1996-97, its revenue mix was 72% local, 26% state, and 2% federal.

f. Wealth

The Top 25 consistently maintains a 2:1 or better ratio of wealth per student over that for Philadelphia. The disparity increased to more than 2.5 times in the last three years, 1994-95 through 1996-97. (See Tables 1 and 2 and Graph 2.)

From 1992-93 to 1996-97, Philadelphia's gross market value decreased 1.2% ($30.7 billion to $30.4 billion). In terms of market value per student, it decreased 6.0% ($150,759 to $141,704). During the same period, the Top 25 experienced a 1.2% increase in gross market value ($41.9 billion to $42.4 billion); and a 3.6% increase in market value per student ($363,721 to $376,766).

When local revenue is compared to local wealth (equalized mills), a mesure of local effort is produced. In all but the last year, 1996-97, the Top 25 exerted a somewhat greater local effort (see Graph 3). Philadelphia's lower local effort, however, is mitigated by its much greater tax burden for municipal services.

4. How do Philadelphia and Pittsburgh compare?

The Pittsburgh School District is a consistent member of the Top 25 spending districts (expenditures per student). Although Pittsburgh is the second largest district in Pennsylvania, it serves fewer than one-fifth as many students as does Philadelphia. In 1996-97, Philadelphia served 5.5 times as many students as did Pittsburgh (214,373 to 39,263).

In 1996-97, Pittsburgh spent 44% more per student than did Philadelphia ($10,374 to $7,180). If Philadelphia were to have spent at Pittsburgh's level, it would have needed $684.7 million more than it did spend.

On a per student basis for 1996-97, Pittsburgh raised 37% more local revenue, received 39% more state revenue, and received 158% more federal revenue. For overall revenue, Pittsburgh's mix was 55% local, 39% state, and 6% federal in contrast to Philadelphia's mix of 41% local, 50% state, and 9% federal.

Pittsburgh's wealth (market value per student) was 54% greater than Philadelphia's ($218,589 to $141,704) in 1996-97.

Conclusion

Political leaders, the public, and educators need to be aware of the fiscal circumstance of big city school districts in order to fulfill their responsibilities to the children served by them. Gross amounts often give erroneous impressions of the needs and resources of the big city in comparison to much smaller districts. The comparative analysis presented in this study helps to provide a perspective on the relative needs of the big city school district.

This study suggests that the state's (Pennsylvania) effort to compensate for the needs of the big city (Philadelphia) still leaves a wide gap between the fiscal capabilities of the

big city and the state's top spending districts. Furthermore, state legislators need to be aware that the big city is impacted more by their actions on fiscal policy than are the top spending districts, which are more dependent on local politics.

Table 1. Fiscal Variables per Student (ADM) in the Top 25 Spending School Districts and the School District of Philadelphia

	Total Expenditures	Local Revenue	State Revenue	Federal Revenue	Market Value
Top 25					
1996-97	$10,400	$7,411	$2,675	$263	$376,766
1995-96	10,147	7,237	2,589	281	369,333
1994-95	9,624	7,101	2,171	227	374,339
1993-94	9,197	6,961	2,123	257	344,316
1992-93	9,014	6,843	1,986	237	363,721
1991-92	8,850	6,565	2,065	216	326,538
1990-91	8,244	6,228	1,742	208	328,210
1989-90	7,717	5,826	1,668	182	284,103
1988-89	7,167	5,534	1,635	188	271,056
1987-88	6,623	5,108	1,508	167	226,829
1986-87	5,956	4,707	1,405	189	211,573
1985-86	5,502	4,258	1,247	167	181,230
1984-85	5,092	4,052	1,170	152	169,508
Philadelphia					
1996-97	$7,180	$3,000	$3,606	$618	$141,704
1995-96	6,860	2,732	3,548	566	147,582
1994-95	6,261	2,530	3,225	612	146,439
1993-94	6,243	2,538	3,155	649	147,650
1992-93	6,870	2,624	3,200	784	150,759
1991-92	6,514	2,730	3,180	725	151,647
1990-91	6,216	2,646	2,878	629	149,327
1989-90	5,688	2,400	2,890	597	131,400
1988-89	5,055	2,141	2,717	531	126,824
1987-88	4,723	2,084	2,654	459	113,170
1986-87	4,568	1,922	2,444	424	102,166
1985-86	4,436	1,801	2,263	407	87,398
1984-85	3,590	1,697	2,064	386	81,584
Pennsylvania					
1996-97	$7,680	$4,245	$2,939	$222	$199,018

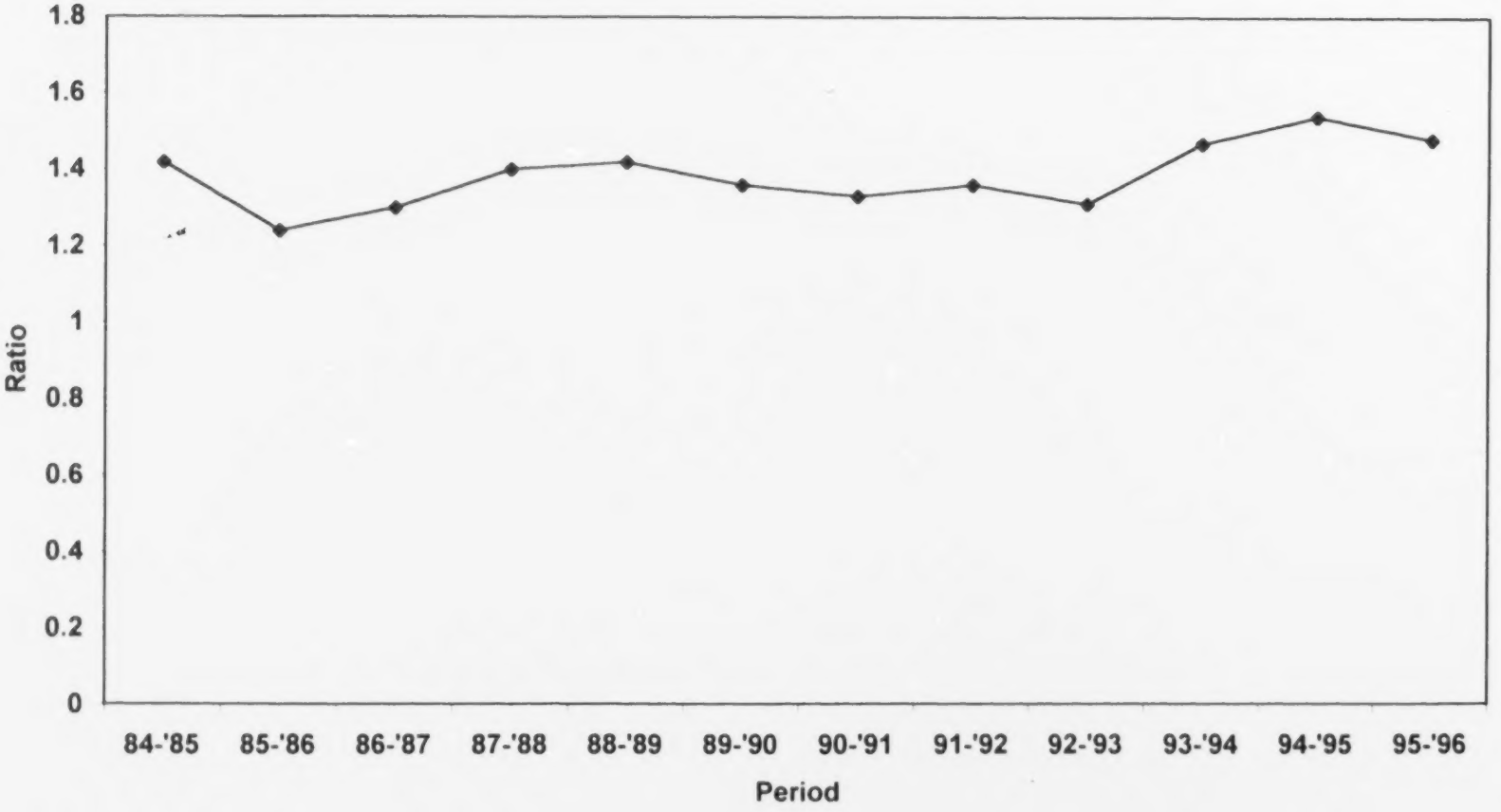
Table 2. Ratios of Top 25 Spending School Districts to the School District of Philadelphia for Selected Fiscal Variables

	Total Expend	Local Revenue	State Revenue	Local+ State	Federal Revenue	Total Revenue	Market Value
1996-97	1.45	2.47	.74	1.53	.43	1.43	2.60
1995-96	1.48	2.65	.73	1.56	.50	1.48	2.50
1994-95	1.54	2.81	.67	1.61	.37	1.49	2.56
1993-94	1.47	2.74	.67	1.60	.40	1.47	2.33
1992-93	1.31	2.61	.62	1.52	.30	1.37	2.41
1991-92	1.36	2.40	.65	1.46	.30	1.33	2.15
1990-91	1.33	2.35	.61	1.44	.33	1.33	2.20
1989-90	1.36	2.43	.58	1.42	.30	1.30	2.16
1988-89	1.42	2.58	.60	1.48	.35	1.37	2.14
1987-88	1.40	2.45	.57	1.40	.36	1.31	2.00
1986-87	1.30	2.45	.57	1.40	.45	1.32	2.07
1985-86	1.24	2.36	.55	1.35	.41	1.27	2.07
1984-85	1.42	2.39	.57	1.39	.39	1.30	2.08

Note. The numerator of the ratio is the value for the Top 25; the denominator, the value for Philadelphia.

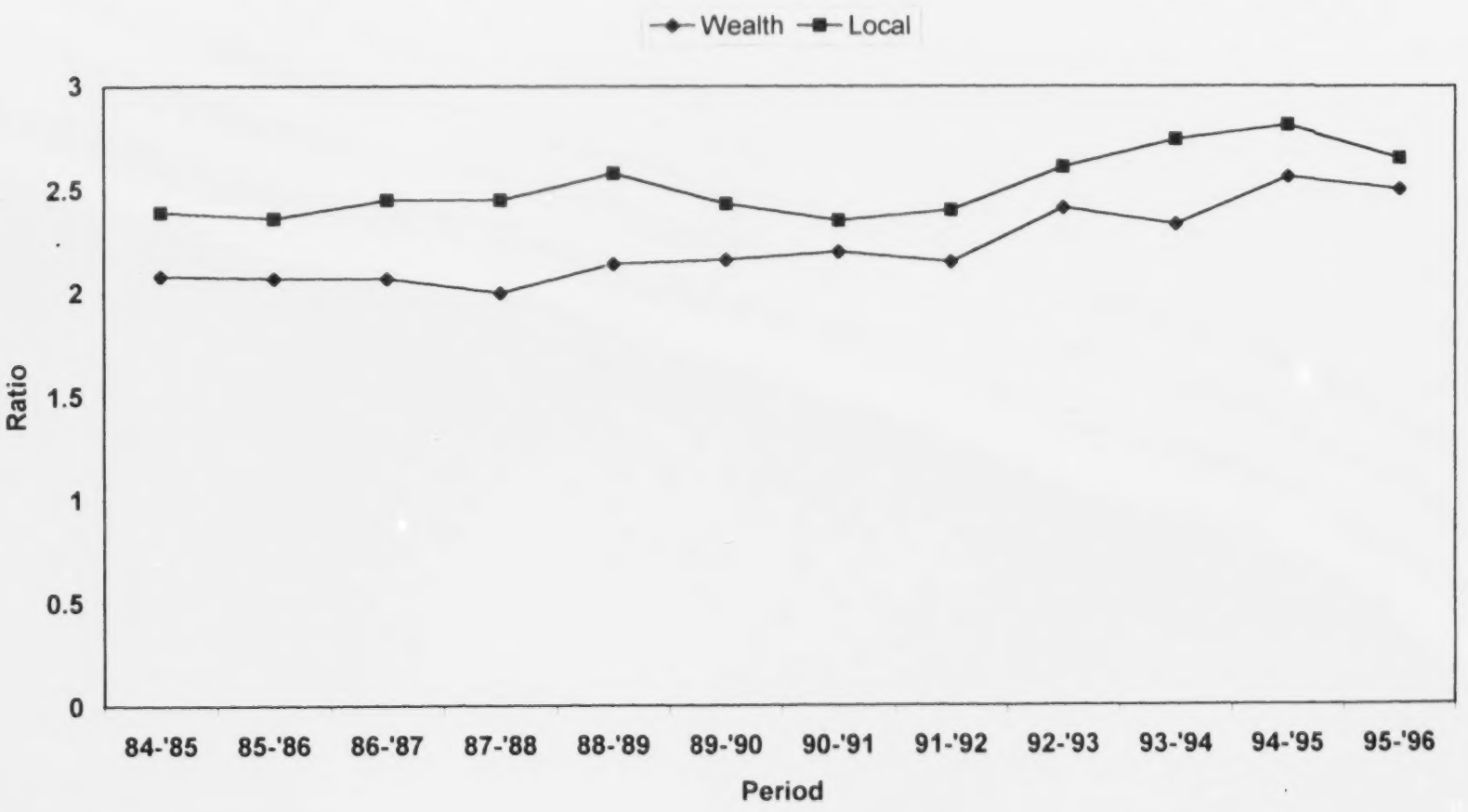
Graph 1. Expenditures Per Pupil

Ratio between HI-25 and Philadelphia



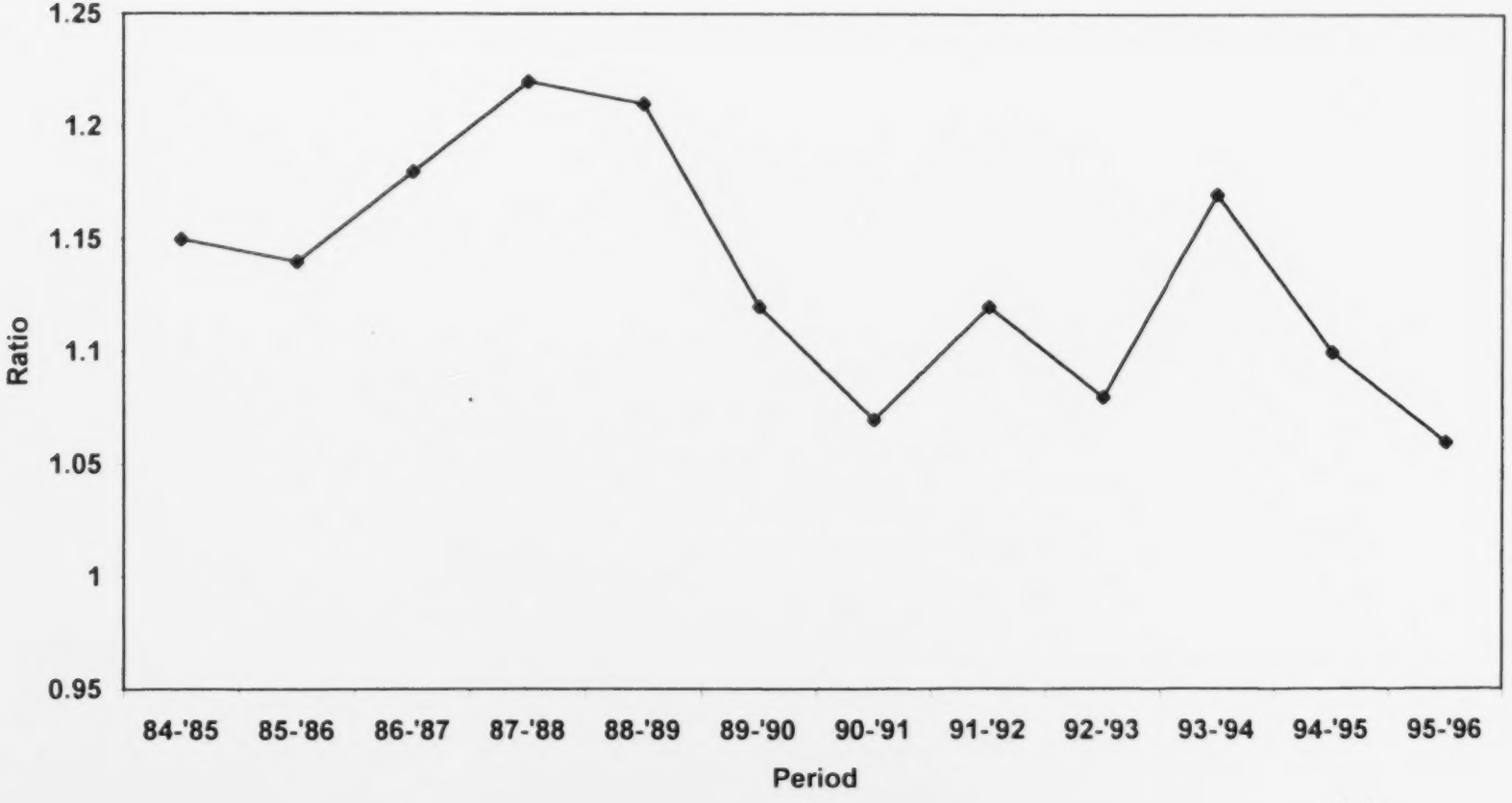
Graph 2. Wealth, Local Revenue Per Pupil

Ratios between HI-25 and Philadelphia



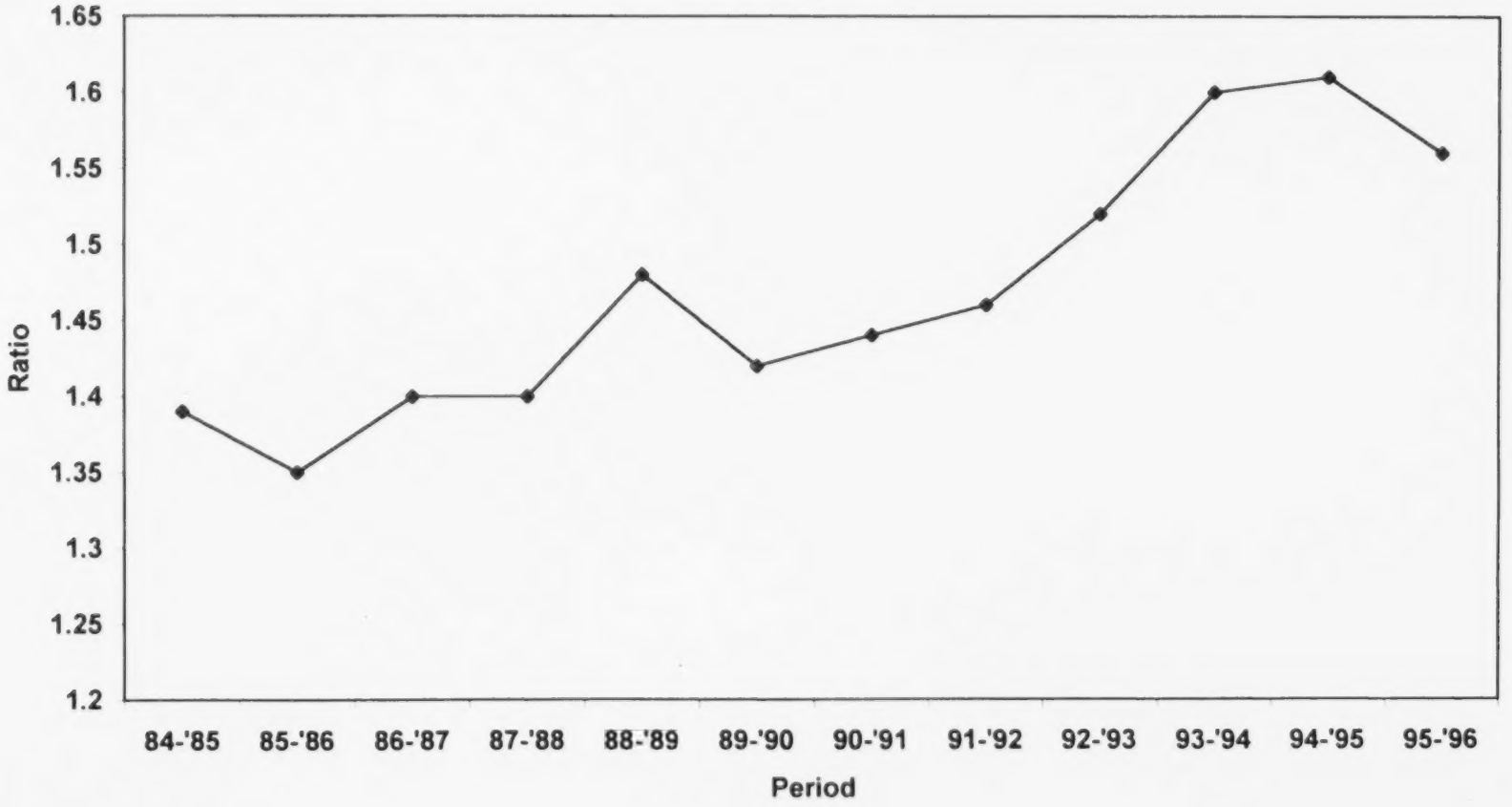
Graph 3. Local Effort (Mills)

Ratio between HI-25 and Philadelphia



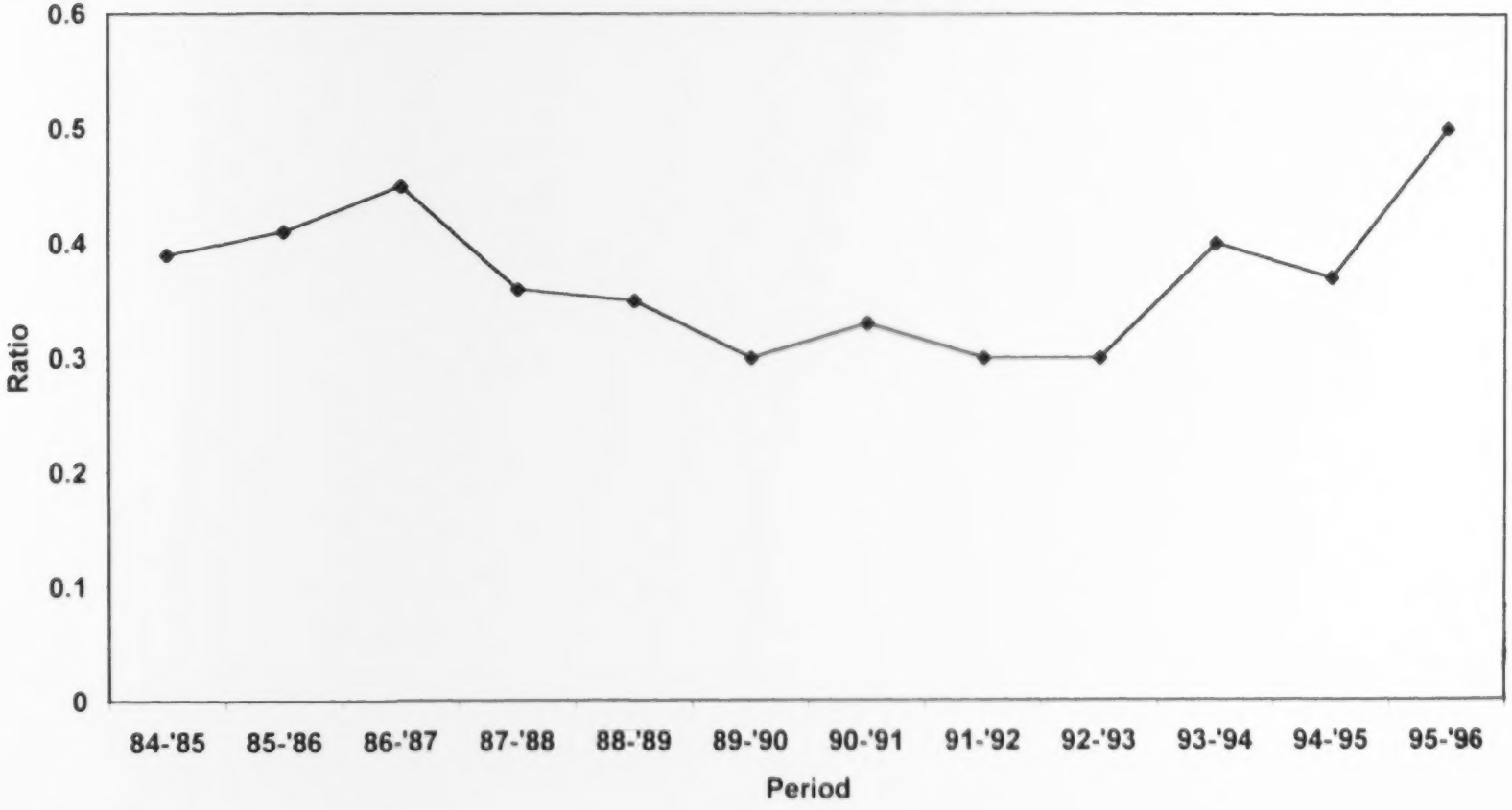
Graph 4. Local + State Revenue Per Pupil

Ratio between HI-25 and Philadelphia



Graph 5. Federal Revenue Per Pupil

Ratio between HI-25 and Philadelphia



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GLOSSARY

Average Daily Membership (ADM) - Includes all resident pupils for the school district for whom the school district is financially responsible. It is calculated by dividing the aggregate days membership for all children on active rolls by the number of days the school is in session.

Expenditures, Total - Includes expenditures with reference to the functional classifications of Instruction, Support Services, Operation of Noninstructional Services, Facilities Acquisition, and Other Financing Uses; the total of expenditures in the General Fund.

Federal Revenue - General Fund revenue originating from federal sources and made available to the school district through direct grants, state channels, or other agencies conducting programs through the school district.

Other Financing Uses - Includes expenditures for the disbursement of governmental funds (General Fund) not classified in other functional areas that require budgetary and accounting control.
These include debt service payments (principle and interest) and transfers of monies from one fund to another.

Other Revenue - Includes General Fund revenue from the sale of bonds, proceeds from extended term financing, sale of or compensation for loss of fixed assets, and refunds of prior years' expenditures. This revenue was NOT included in the analysis. In 1995-96 it represented 1.4% of total General Fund revenue in Pennsylvania.

Local Revenue - The sum of Total Taxes (all taxes levied locally for the benefit of schools) and Local Other Revenue received in the General Fund.

Market Value - The value of real estate within a school district as determined by the Pennsylvania State Tax Equalization Board.

State Revenue - General Fund revenue originating from Commonwealth appropriations and directly disbursed to the school districts.

Wealth - A measure of a school district's financial ability to raise local revenue. Market value of real estate was the measure of wealth used in this analysis. (In Pennsylvania, school districts may tax the assessed value, not market value, of real estate. Market value attempts to compensate for differing assessment ratios among local taxing units.)